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## Vietnam

### Grain and Feed

### December Rice Update

## 2001

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**Report Highlights:** Due to lower than expected rice stocks in the Mekong River Delta, the Government of Vietnam has urged rice exporters to suspend signing any new deals for delivery from December 2001 until the middle of February 2002. This report provides rice export data for the first eleven months of 2001. Production and export estimates are unchanged from our previous report.

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Includes PSD changes: No  
Includes Trade Matrix: No  
Unscheduled Report  
Hanoi [VM1], VM

## TABLE OF CONTENTS

PRODUCTION .....	<a href="#">Page 1 of 5</a>
2001/02 Lua Mua crop .....	<a href="#">Page 1 of 5</a>
2002's Winter-Spring (W-S) rice is being planted in the South .....	<a href="#">Page 1 of 5</a>
PRICE .....	<a href="#">Page 2 of 5</a>
Domestic price .....	<a href="#">Page 2 of 5</a>
Export price .....	<a href="#">Page 2 of 5</a>
TRADE .....	<a href="#">Page 2 of 5</a>
October and November rice exports .....	<a href="#">Page 2 of 5</a>
January-November rice exports .....	<a href="#">Page 2 of 5</a>
Table 1: Vietnam Jan-Nov Rice Exports by Grades and Destinations .....	<a href="#">Page 3 of 5</a>
POLICY .....	<a href="#">Page 4 of 5</a>
Vietnam Government halts new rice export deals .....	<a href="#">Page 4 of 5</a>
2002's Winter-Spring rice buffer stock proposed .....	<a href="#">Page 4 of 5</a>

## PRODUCTION

### 2001/02 Lua Mua crop

#### In the North, harvest of 2001/02 Lua Mua crop is nearly completed

As of November 25, according to the Ministry of Agricultural and Rural Development (MARD), 1,214 thousand hectares (tha) of the Lua Mua crop have been harvested in the Northern provinces, accounting for 96% of total planted Lua Mua area.

#### In the South, the Lua Mua crop is being harvested.

As of November 25, there was 345 tha of Lua Mua rice harvested in the Southern provinces of which 83 tha was located in the Mekong River Delta (MRD). Because of low quality, Lua Mua rice from the MRD is normally used for domestic consumption, and not for exports. Therefore, the harvest of this crop does not increase exportable supplies.

Currently, no official Lua Mua production data are available; therefore, Post keeps its Lua Mua production estimate unchanged from our previous report (Report VM 1021)

### 2002's Winter-Spring (W-S) rice is being planted in the South

Farmers in the South, especially in the MRD, are beginning to sow 2002's W-S rice crop. Farmers (and MARD) feel this crop should be planted before Jan 15, 2002. Any delay in the W-S crop will badly affect the planting timetable of the next crop -- the Summer-Autumn rice crop (S-A). The harvest of the S-A crop has to be completed before the annual flood hits the MRD in September or October.

As of November 25, 2001, MRD farmers have sown 340 tha of W-S rice, about 23% of the planned area (1.49 million hectares). To ensure the W-S crop will be planted on time, MARD has proposed that the Central and/or Provincial governments support the farmers by providing various inputs, such as 12 million liters of diesel fuel to discharge flood water from rice fields, and 9,000 metric tons of rice seeds. To date, the Central and Provincial governments have not offered any help.

The W-S rice area sown with high quality varieties (such as OM 1490, IR 64, OM 2031, VN 95-20, MTL 250) has expanded. Some food companies have requested high (or at least better) quality rice and have cooperated with farmers to develop specific "high quality rice areas." About 71 tha in An Giang province and a few thousand hectares in Long An and Soc Trang provinces are planting high quality rice. MARD strongly supports this cooperation between rice exporters and farmers as it can create higher earnings and improve the quality image of Vietnamese rice in international markets.

**Absence any significant changes, Post keeps our rice production estimate unchanged from our previous report (VM 1021).**

**PRICE**      Exchange Rate: Vietnam Dong (VND) 15,070 equal to USD \$1.00    Dec-12- 2001

## **Domestic price**

*In the North* – On December 11, 2001, paddy rice prices in most northern provinces were at fairly high levels of VND 1,750-1,850/kg, an increase of VND 100/kg compared with prices in early November. The rice supply in that region has become ‘tight’ because the crop harvest is nearly complete and production was lower than expected due to bad weather and crop diseases.

*In the South* – On December 11, 2001, prices in MRD were also fairly high at VND 1,750-1,850/kg for paddy and VND 2,250 -2,350/kg for raw white rice, about VND 150/kg higher than prices quoted a month ago.

## **Export price**

Since the middle of October 2001, Vietnamese export prices have soared to very uncompetitive levels, especially compared with Thai rice. Vietnamese export prices in November and early December have remained high at USD 194, 187, 182, and 170 per metric ton (mt) for 5%; 10%; 15% and 25% broken rice respectively. The Vietnamese prices are USD 14-16/mt above Thai prices. Considering that Vietnam’s rice prices are usually USD 5-10 below Thai prices, the current price difference is historical (perhaps the second time in the last five years when Vietnamese prices have exceeded Thai prices).

Vietnam’s high export prices are not a result of high external demand as much as a shortage of rice suitable for export. The last time Vietnamese prices exceeded Thai prices, there was very strong international demand for Vietnamese rice. This time the external demand is not so great, but export rice stocks are just too low.

The high export rice prices have created many problems for rice processors and exporters trying to fulfill their outstanding export contracts. It is reported that a few Vietnamese exporters have substituted Thai rice, probably less than 10,000 metric tons, to fulfill their contract obligations.

## **TRADE**

### **October and November rice exports**

According to trade sources, Vietnam’s rice exports in October and November were about 200 TMT and 199 TMT, respectively. Africa, Cuba, Indonesia, Iraq, and Malaysia were the major destinations.

### **January-November rice exports**

Vietnam exported 3.4 million metric tons (mmt) of rice in the first eleven months of 2001. Iraq was the biggest buyer of Vietnam’s rice, followed by Indonesia and the Philippines.

**Table 1: Vietnam Jan-Nov Rice Exports by Grades and Destinations (Unit: MT)**

	5%	10%	15%	25%	35%	55%	100%	Par-boiled	Glu-tinous	Un-known	Total

<b>ASIA</b>	<b>522,219</b>	<b>476,457</b>	<b>442,702</b>	<b>303,397</b>	<b>700</b>	<b>11,527</b>	<b>9,435</b>	<b>7,785</b>	<b>13,544</b>	<b>2,220</b>	<b>1,789,986</b>
In which: Iraq	316,199	363,552	0	0	0	0	0	0	0	0	679,751
Philippines	42,262	9,820	199,146	126,901	0	0	0	0	0	0	378,129
Indonesia	28,394	55,000	173,282	127,917	0	11,527	3,300	6,690	9,376	2,000	417,486
Malaysia	97,234	19,664	15,409	31,549	700	0	0	0	590	0	165,146
Bangladesh	8,621	0	24,540	10,300	0	0	0	0	0	0	43,461
Singapore	1,156	9,209	19,002	1,900	0	0	4,635	500	3,378	220	40,000
Palau	4,000	1,100	500	4,350	0	0	1,500	0	0	0	11,450
Nepal	0	4,012	4,010	0	0	0	0	0	0	0	8,022
Yemen	5,500	0	0	0	0	0	0	550	0	0	6,050
North Korea	0	5,500	0	0	0	0	0	0	0	0	5,500
Japan	5,010	0	0	0	0	0	0	0	0	0	5,010
Mariana	1,100	0	1,000	0	0	0	0	0	200	0	2,300
Hongkong	2,166	0	0	0	0	0	0	0	0	0	2,166
Middle East	4,012	0	5,013	0	0	0	0	0	0	0	9,025
<b>AFRICA</b>	<b>268,973</b>	<b>34,237</b>	<b>213,394</b>	<b>140,092</b>	<b>11,626</b>	<b>0</b>	<b>251,992</b>	<b>3,209</b>	<b>0</b>	<b>0</b>	<b>923,523</b>
In which West Africa	37,800	4,800	33,450	900	11,026	0	41,093	0	0	0	129,069
Tanzania	0	0	27,340	0	0	0	0	0	0	0	27,340
Algeria	24,964	0	0	0	0	0	0	0	0	0	24,964
Senegal	0	0	0	1,002	0	0	17,981	0	0	0	18,983
Syria	12,756	0	0	0	0	0	0	0	0	0	12,756
Gabon	6,850	0	0	0	0	0	0	0	0	0	6,850
Angola	6,018	0	0	0	0	0	0	0	0	0	6,018
Ghana	0	0	5,015	0	0	0	0	0	0	0	5,015
<b>EUROPE</b>	<b>62,312</b>	<b>50,284</b>	<b>50,412</b>	<b>7,800</b>	<b>0</b>	<b>0</b>	<b>250</b>	<b>150</b>	<b>0</b>	<b>20,930</b>	<b>192,138</b>
In which: Poland	23,274	15,175	25,496	7,300	0	0	250	150	0	0	71,645
Russia	30,634	30,121	19,500	500	0	0	0	0	0	0	80,755
Slovenia	0	3,007	0	0	0	0	0	0	0	0	3,007
Ukraine	1,162	131	1,436	0	0	0	0	0	0	0	2,729
Holland	322	110	0	0	0	0	0	0	0	0	432
<b>AMERICA</b>	<b>3,910</b>	<b>31,014</b>	<b>25,000</b>	<b>183,142</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>243,066</b>
In which: Cuba	3,910	25,000	25,000	183,142	0	0	0	0	0	0	237,052
Hawaii	0	6,014	0	0	0	0	0	0	0	0	6,014
<b>AUSTRALIA</b>	<b>192</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,300</b>	<b>2,492</b>
<b>Unknown</b>	<b>1,000</b>	<b>0</b>	<b>5,710</b>	<b>10,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>233,574</b>	<b>249,784</b>
<b>TOTAL</b>	<b>858,606</b>	<b>591,992</b>	<b>737,218</b>	<b>644,931</b>	<b>12,326</b>	<b>11,527</b>	<b>261,677</b>	<b>11,144</b>	<b>13,544</b>	<b>259,024</b>	<b>3,400,989</b>

Source: Trade Contacts

Exports in December will be around 150-200 thousand metric tons (tmt) depending on how much of the National Reserve Stock will be released to fulfill government to government contracts with Iraq, Cuba and Indonesia.

Post keeps the Vietnam 2001's rice export estimate at 3.6 mmt (see previous report VM1021).

### **Vietnam releases 60 tmt of rice from National Reserves to fulfill rice contracts to hurricane struck Cuba.**

The Government has allowed Vinafood 1 (the largest state-owned food company in the North) to take 60 tmt of 25% broken rice from the National Reserves to ship to Cuba. This is part of the 80 tmt deal concluded earlier this year. Vinafood 1 will buy paddy rice from the National Reserve at prices set by Vietnam's Government Price Committee. The decision, to open National Reserves to Vinafood 1, is designed to allow Vinafood 1 to fulfill its rice export contracts to key (i.e., government to government) markets.

### **Vietnam and Cuba sign a rice deal for 250 tmt**

During an early-December trade mission to Cuba, headed by Deputy Prime Minister Nguyen Tan Dung, Vinafood 1 and Alimport Co. signed a contract for Vietnam to sell 250 tmt of rice to Cuba in 2002, with delivery to start in early 2002.

## **POLICY**

### **Vietnam Government halts new rice export deals**

The Ministry of Trade (MoT) has urged rice exporters to stop signing new export contracts with delivery periods from early-December to middle-February 2002. By the middle of February, the Winter-Spring rice crop will be available for export.

The Government's instruction to postpone any new contracts is based on the shortage of exportable rice and general food security concerns. The Government hopes to avoid any more price turmoil in the Vietnamese rice market. Rice is still, very much, the staple food of the Vietnamese people -- higher domestic prices could trigger food shortages and wider inflationary concerns.

### **2002's Winter-Spring rice buffer stock proposed**

In partial response to the surprising low stocks, the Government is considering a new plan. The Ministry of Trade has submitted a proposal to stock 500,000-1,000,000 mt of rice from 2002's Winter-Spring MRD crop in a buffer stock for 4-6 months, starting from March 2002.

Rice exporters participating in the program will be granted interest-free loans for purchasing rice. The cost to implement the program (the cost of the interest-free loans) is estimated at about VND 40 billion (about USD 2.6-2.7 million). To make the program more effective, MARD's Minister Le Huy Ngo has proposed that a bidding system be used to select the rice exporters for participation in the program. Rice exporters who have good business capabilities and sufficient rice storage facilities would then be allowed to enter the bidding process.

Despite the support of MARD and the Ministry of Trade, the program had not yet been approved by the Central Government.

